

UNITED STATES MARINE CORPS
Financial Management School
Marine Corps Combat Service Support Schools
PSC Box 20041
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FBTC 0212
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STUDENT OUTLINE

VALIDATE UNLIQUIDATED OBLIGATIONS

LEARNING OBJECTIVES:

1. TERMINAL LEARNING OBJECTIVE: Without the aid of references, given SABRS reports and source documents, validate outstanding obligations in accordance with MCO P7300.20. (3451.02.04).

2. ENABLING LEARNING OBJECTIVES:

(a) Without the aid of references and given an Unliquidated Obligation Report (ULO) Report and supporting documentation, annotate the appropriate actions to be taken on the ULO Report in accordance with MCO P7300.20. (3451.02.04a).

(b) Without the aid of references and given an Outstanding Travel Order (OTO) Report and DNR Unmatched report, reconcile transactions in accordance with MCO P7300.20. (3451.02.04b)

OUTLINE

1. **BASIC DEFINITIONS USED DURING VALIDATIONS:**

Before we can begin an in-depth discussion of validating unliquidated orders, you need to know what comprises unliquidated orders and some other common terms that are used in the financial community dealing with validations. These basic terms are:

A. **Unliquidated Orders (ULO)** - Material(s) or service(s) that have a valid obligation recorded in the accounting system that have not been liquidated (payment not recorded in the accounting system) or completely liquidated. An example is provided below :

SDN	OBL AMT	LIQ AMT	ULO AMT
M6712592750001	\$ 1200.00	\$ 99.00	\$ 1101.00

B. Undelivered Orders (UDO) - An Undelivered Order exists when material(s) or service(s) on order have not been received or have been received with no corresponding expense recorded in the accounting system. An example is provided below:

SDN	OBL AMT	EXP AMT	LIQ AMT	ULO AMT
M6712572750001	\$ 1200.00	\$ 0.00	\$ 0.00	\$ 0.00

C. Negative Unliquidated Order (NULO) - A Negative Unliquidated Order exists when a liquidation amount exceeds the obligation amount recorded in the accounting system. An example is provided below:

SDN	OBL AMT	LIQ AMT	NULO AMT
M6712572750001	\$ 1200.00	\$2400.00	\$ -1200.00

D. Outstanding Travel Order (OTO) - An Outstanding travel Order exists when a traveler has executed the TAD but the settlement transaction has not posted in SABRS. An example is provided below:

SDN	OBL AMT	EXP AMT	LIQ AMT	OTO AMT
M6712500TOE0001	\$ 1200.00	\$1200.00	\$ 0.00	\$ 1200.00

E. Outstanding Travel Advance (OTA) - An Outstanding travel Advance exists when a traveler has executed the TAD orders, taken a travel advance and the settlement transaction has not posted in SABRS. An example is provided below:

SDN	OBL AMT	LIQ AMT	OTA AMT
M9925500TOE0001	\$ 1200.00	\$ 0.00	\$ 200.00

F. Unmatched Disbursements (UMD) - An Unmatched Disbursement exists when a liquidation transaction has been processed by a finance office but has not matched or posted properly to an existing obligation record in SABRS.

DOCUMENT NUMBER	DSSN	VOUCHER	TTC	PAAN	COST CODE	COLLECT/PAID	AMOUNT
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M9925500TOO0001	6102	69485	2D	0E0001	25500TOE0001	\$	1100.00
M9925500TOO0001	6102	69485	1K	0E0001	25500TOE0001	\$	-200.00

(NOTE: Notice that if this document number was input correctly, it would have liquidated the OTA example and the command would have gained \$100.00.)

G. **Validation** - A validation is the process of ensuring that transactions recorded in the accounting system are accurate and chargeable against the operating funds of the command.

2. REFERENCES REQUIRING UNLIQUIDATED ORDER (ULO) VALIDATIONS:

A. ULO validations are required based on three sources.

(1) DOD FMR Volume 6, Chapter 2 - This reference states that the DoD components are responsible for:

(a) Ensuring the accuracy, completeness, timeliness and documentary support for all data generated by the customer and input electronically into finance and accounting systems;

(b) Establishing internal controls to ensure the accuracy of data;

(c) Reviewing all reports to ensure the accuracy of data.

(2) NAVCOMPT Manual Volume 3, Chapter 9 - This reference states that it is the responsibility of the commanding officer to ensure that only valid obligations are initiated and promptly entered into the accounting records. The commanding officer employs the Budget Execution Activity/Budget Execution Sub-Activity (BEA/BESA) to ensure that the commands accounting records are accurate and complete.

Further, with the recording of valid obligations also comes the responsibility to ensure the documents in the unliquidated obligation file are reviewed on a periodic basis. This is done to ensure that only valid obligations are contained in the accounting records. The NAVCOMPT Manual states that mandatory review of obligation documents will be made at least once each fiscal year to determine the validity of the obligations on file. Commanding officers will make additional reviews during the fiscal year as considered warranted for better fund control and utilization.

(3) MCO P7300.20 increases the frequency of ULO validations to at least once each quarter during the fiscal year.

3. PURPOSE OF UNLIQUIDATED ORDER VALIDATIONS:

A. Unliquidated obligations are nothing more than financial transactions that for one reason or another have not been "completed" in the official accounting records. In other words, these transactions have not completed all phases of the transaction cycle (i.e. Commitment, obligation, expense and liquidation). They have not been finalized and therefore cannot be removed from the active accounting records. In order to complete the transaction, all the individual postings of the transaction must be present and agree. That is, the commitment, obligation, expense, liquidation and quantities must all match before the transaction is complete. Only through a thorough review and validation can the number of unliquidated obligations be reduced and minimized.

B. It is important to continually monitor the ULO so that monetary resources are not wasted and excess funds can be recouped in order to satisfy other requirements. Conversely, there may be documents that require an increase in funding to become complete and these too must be adjusted accordingly. Essentially, the ULO report is indicative of how we manage our funding. A large dollar ULO report can easily equate to mismanagement when viewed through the eyes of an external agency. Such a finding can easily lead to an out-year budget reduction based on this alleged mismanagement. Simply stated, the ULO review and validation is one of the most important undertakings a BEA/BESA conducts throughout the fiscal year.

C. Commands performing timely and accurate reviews of undelivered, unliquidated and unsettled orders ensure:

(1) Only valid obligations affecting the command's operating funds are recorded in the accounting system;

(2) The amounts associated with financial transactions are correct;

(3) No duplication of obligations or payments are recorded in the accounting system that reduce available funding erroneously;

(4) The correct status for each transaction (transaction cycle: commitment, obligation, expense, and liquidation) is recorded for reporting and use in follow-on actions in

requesting status of shipment or payment affecting the transaction.

4. VALIDATION PROCESS:

A. Since we have different types of spending transactions and we have to validate all spending transactions resident in SABRS, we have various methods. Local Standard Operating Procedures at various commands may dictate minor variations but the end result, of ensuring all accounting transactions resident in SABRS are correct, remains the same. The most common validations are conducted on Material and Services and Travel transactions.

B. Ground Rules: To begin the process of validating unliquidated orders, we need to cover the following basic ground rules. These rules are:

(1) All transactions listed on SABRS (INFOPAC) reports will be considered correct or valid until proven otherwise.

(2) All transactions for all fiscal years will be reviewed.

(3) All transactions reviewed must be annotated with an appropriate validation code.

5. VALIDATION OF MATERIAL AND SERVICES TRANSACTIONS:

A. To perform the validation of outstanding transactions of a material and services transaction, you will need at a minimum the following reports from INFOPAC.

DFBR008	Unliquidated Obligation Report	Daily batch report provides listing of all ACTIVE transactions on Active File.
DFBR016	Negative Unliquidated Obligation Report	Daily batch report provides lists of all transactions on Active File where the liquidation amount exceeds the obligation amount.

(1) R008 Unliquidated Obligation Report: This is the major report used during a ULO validation. This report provides a listing of all Material and Services transactions (in document number sequence, by fiscal year) for a specific BEA/BESA that has not yet been completed financially in SABRS.

(2) R016 Negative Unliquidated Obligation Report: This vital report identifies major problem areas with active records

where the liquidation exceeds the obligation. This report should be validated after each cycle to determine the cause of the problem. This report shows records in which some liquidations exceed the obligation by a few dollars while other exceed the obligation amount by thousands of dollars. Suspected erroneous payments and incorrect liquidations should be a key area for consideration. In some cases, the liquidation is correct and the record should be adjusted accordingly. This report is mainly used to highlight severe problems with designated records because these transactions also appear on the R008 report.

B. Validation Codes for ULO (R008) Report: Comptroller/fiscal personnel use validation codes to annotate specific corrections to inaccurate accounting records. The validation codes allow personnel to know what action (if any) is required to correct an individual record. These codes are not necessarily the same throughout the Marine Corps as each unit will have their own Standard Operating Procedures. But the following codes are the most commonly used and you will easily be able to adapt. Some validation codes commonly used with the ULO Report are listed below:

CODE	PURPOSE
Valid (Val)	Accounting record is correct. Example: Goods ordered and obligated, goods received and expensed, or Invoice paid and liquidation posted.
Received (Rec'd)	Material(s) or service(s) have been received, <u>with no expense recorded in SABRS.</u> Awaiting receipt of invoice to make payment.
Liquidate (Liq)	Material(s) or service(s) were received, invoice forwarded to DFAS for payment, with no liquidation in SABRS. Provide a copy of the payment voucher to DFAS for follow-up on payment problems.
Complete (Compl)	There is a difference between the commitment, obligation, or expense amount and the liquidation amount. The Final Action Indicator for the final liquidation needs to be posted to adjust amounts.
Error (Err)	Document is in error, (invalid document number or Accounting Classification Reference Number (ACRN), document number does not belong to your command, etc.). Make corrections or contact DFAS for resolution.
Canc	The material or services are no longer required

(Canx)	and you have the proper documentation to deobligate the funds. (NOTE: For a document to be "truly" canceled, there must not be an expense or liquidation posted for that document in the accounting system.)
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C. Document Identifier Codes (DIC) used during the validation: The DIC's used to make adjustments to SABRS records are the same DIC's we have previously discussed with some additions. In our table below, we have reintroduced DIC's you have learned in your process spending transactions class and have introduced a few additions to the list.

ADJ	ADJUST COM/OBL/EXP AMT AND QTY EITHER UP/DOWN TO EQUAL LIQUIDATION AMT AND QTY ALREADY POSTED ON ACTIVE FILE
CMT	ADJUSTS COMMITMENT AMOUNT
EXP	ADJUSTS EXPENSE AMOUNT
OBL	ADJUSTS OBLIGATION AMOUNT
COB	ADJUSTS COMM AND OBL AMOUNT SIMULTANEOUSLY
COE	ADJUSTS COM/OBL/EXP AMOUNT SIMULTANEOUSLY
OEX	ADJUSTS OBL/EXP AMOUNT SIMULTANEOUSLY
DEC	ADJUST DATA ELEMENTS FOR O&M RECORDS ONLY

However, the key to telling SABRS that you are processing a transaction for validation purposes is the Special Function Indicator (SFI). The User will access the proper Spending Transaction screen using one of the above DIC's. When adjusting records for validation purposes a Special Function Indicator (SFI) must be entered. The SFI allows SABRS to categorize and total all the records affected during a validation. Comptroller and upper-level financial management personnel review this data to determine the effectiveness of validations and it allows them to compare amounts that may indicate mismanagement. A complete listing of the Special Function Indicators are provided below (Note: For validation purposes, only a "V" will be inserted as the SFI):

DIC	SFI CODE	PURPOSE
CMT	V	Used to identify a validation record
OBL	BLANK	Will increase or decrease the commitment to match obligation.
	V	Validation, same as blank.
	X	Increase commitment to match input value.
	Y	Same as X, except for validation.

EXP	BLANK	Increase/Decrease commitment and obligation to match expense.
	V	Validation, same as blank.
	X	Increase commitment and obligation to match expense.
	Y	Same as X, except for validation.
COB	V	Used to identify a validation record.
COE	V	Used to identify a validation record.

D. Material and Services Validation Process:

(1) The actual process of performing the validation of material and service transactions begins with comparing the documents contained in your memorandum records to the transaction recorded in SABRS on the R008 report. The R008 and the memorandum records should always be the starting point when performing a validation. Since a BEA/BESA is required to keep copies of all obligation and other source documents, assuming these records are properly maintained, the validation process should be fairly straight forward. The actual validation is accomplished by the following actions:

(a) Compare each document number listed on the R008 to memorandum records. Specific attention should be made regarding document numbers, data elements/financial information pointers, quantities ordered and received, and amounts posted in the accounting system. Each element must be analyzed for accuracy.

(b) Ensure the amounts listed on the R008 are accurate based on the phase of the transaction cycle (i.e., is the transaction in a commitment, obligation, expense, and/or payment phase).

(c) Ensure differences between the memorandum records and the R008 are researched to determine if the amounts in the accounting system are incorrect or if changes to the documents have occurred that have not been annotated in the BEA/BESAs memorandum records.

(d) Ensure the R008 report is annotated with the proper annotation based on verification of transaction and research performed.

(e) Ensure authorized corrections are made in the accounting system (i.e., adjustments to commitment, obligation,

expense amounts) and DFAS is notified of those transactions containing liquidation (payment) problems or issues for resolution.

(2) In some cases, the BEA/BESAs may not have all the necessary paperwork to validate certain records and it's the BEA/BESA's responsibility to obtain the necessary documentation. BEA/BESA's must search for all necessary documentation to complete the validation process. Sources that are available to the BEA/BESA are listed below. A good BEA/BESA will have established helpful contacts (military and civilian) that can provide assistance when necessary.

(a) Supply Section - This section can provide the current status on all mechanized supply requisitions, such as determining if the requirement is still valid, item is on back order, item has been received, ordered amounts have been changed or if the price per item has been changed.

(b) Regional Contracting Office - This office can provide information concerning missing contracts/purchase orders, modifications to contracts, and in some cases whether the good or service has been delivered.

(c) Transportation Management Office (TMO) or Central Shipping/Receiving Office - This office can provide information concerning deliveries of ordered materials and whether the Report of Property Received (RPR) has been forwarded to DFAS, Vendor Pay.

(d) Finance Office (DFAS, Vendor Pay) - This office can provide information on matters concerning payments, payment status and correction status of problem payments.

6. VALIDATION OF OUTSTANDING TRAVEL ORDERS (OTO):

A. Outstanding Travel Orders (OTO) are the travel equivalent of the material and services UDO/ULOs. OTOs reflect all travel obligations that have not been completed (liquidated) at the time the report is generated. Outstanding Travel orders funded by your command will be validated for all active fiscal years.

B. The key report used to validate OTOs in SABRS is the DFBR005A Outstanding Travel Order By Age Category Report.

DFBR005A	Outstanding Travel Order by Age Category Report	This daily batch report lists all Active File records with a "21" Object Class down to the BEA/BESA level by fiscal years.
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This report can be printed from INFOPAC. On the R005A report, the amounts for Per Diem, Other Travel, and Miscellaneous amounts are combined and reflect as one amount under the "Obligation Amount" column. Other reports exist for the unsettled Government Transportation Request (GTR) portion.

C. Since Temporary Additional Duty (TAD) obligations are usually based on an estimate at the time the orders are created and obligated in SABRS, the potential for significant variances between obligations and liquidations is high. For example:

A set of TAD orders is obligated for \$500. When the traveler settles the claim, the actual cost of the trip is \$100. The funding command should reverse \$400 of the obligation, thereby increasing the command's available balance by the \$400 dollars. When OTOs are not validated, large amounts of money can be lost. This reasoning or situation can also work in reverse. Assume a set of TAD orders is obligated for \$100 but settled at \$500. The command's funds are charged an additional \$400 which has to be obligated to cover the payment and reverse the NULO condition for the transaction. Let us take this scenario one step further and say it occurred during a deployment of 100 Marines involved with the travel. In this case the over or under funding of \$400.00 per Marine would equate to a \$40,000.00 over obligated status or a \$40,000.00 NULO status!

D. Validating OTOs is very similar to the process previously described for material and services transactions. You begin the validation with your source documents (i.e. Travel Orders, modifications and settlement vouchers) contained in the TAD source document files. These documents are compared to the transactions listed on the OTO report and annotations are made based upon the action desired.

E. The following are sources you can use to obtain information concerning the OTOs contained on the SABRS R005A report.

(1) TAD source document files - Compare all outstanding TAD orders contained in your fiscal files to the OTO report.

Note that TAD orders are valid if the traveler is still in a TAD status. Further, note the Estimated Completion Date (ECD). If the ECD has passed and ample time has lapsed, you should have a settlement voucher.

(2) Individual Marine - Check to see if the individual Marine actually performed the travel and submitted a travel claim. If a claim was not submitted, use the existing local procedures of the command to get the individual to submit a travel claim. If the Marine did submit a claim, obtain a copy from the Marine with a legible DOV/DSSN stamp. A Reports Inquiry search by DOV/DSSN will usually uncover the liquidation in SABRS.

(3) Order Writing Section - Check to see if TAD orders were canceled or modified. Obtain any documentary evidence that the order writing section has on the specific travel orders. In some commands, the order writing activity will keep copies of vouchers for each travel claim submitted. If the travel orders were modified or cancelled, ensure the proper action was taken to adjust the official accounting record in SABRS.

(4) Disbursing Office - The disbursing office can provide information on when the payment for settlement was made and usually provide a copy of the travel settlement. Further, they can tell you if they did not receive a settlement request. One note on payments: if you can get a copy of the travel settlement, review the appropriation and document number on the settlement to ensure it is the same coding data that was reflected on the original orders. The payment may have been made although posted incorrectly in SABRS, i.e. incorrect document number.

(5) DFAS - DFAS can assist on problem payment resolution or provide additional guidance and support. Additionally, DFAS maintains the Integrated Automated Travel System (IATS) in which the finance office can retrieve TAD advances and settlements for each Marine or civilian as long as the Marine Corps finance office prepared the transaction. IATS will not show advances or settlements that were conducted in another service's finance office (ARMY, Airforce, Navy).

F. Validation Codes for R005A OTO Report: Validation codes are used by the BEA/BESA, Comptroller personnel, and by DFAS personnel to make corrections to travel transactions in SABRS. The validation codes allow personnel to know what action (if any) is required to correct an individual document based on the

validation. Some validation codes that are commonly used with the OTO report are listed below:

CODE	DESCRIPTION
PENDING (PEND)	The TAD trip has not yet occurred or the travel is still in progress.
COMPLETE (COMPL)	TAD trip is finished, the traveler submitted a travel claim and the settlement was made. Payment has posted in SABRS. BEA/BESA should insure that the obligation amount equals the amount of settlement (make appropriate adjustment in SABRS).
LIQUIDATE (LIQ)	Settled, but no liquidation in SABRS - TAD trip was completed and traveler submitted claim, but either not yet paid or the payment has not yet posted in SABRS.
CANCEL (CANX)	TAD orders either canceled or not executed.
ERROR (ERR)	Document is in error, (invalid for the BEA/BESA, travel advance posted as liquidation, etc.), provide an explanation of the problem and submit to comptroller office for resolution.

G. Once all annotations are made on the R005A OTO report and the necessary source documents have been obtained, ensure authorized corrections are made in the accounting system (i.e., adjustments to commitment, obligation, expense amounts). Ensure DFAS is notified of those transactions containing liquidation (payment) problems.

H. Common Errors with OTOs and Travel Obligations: These are some of the common errors you will encounter when performing a OTO validation:

(1) The document number recorded in SABRS does not match the document number on the settlement voucher. The transaction needs to be researched to determine the correct document number. Corrective action is changing the obligation document number in SABRS (if applicable) or have the document number used on the payment corrected (contact DFAS). In most cases, if the travel orders were printed through SABRS, the SDN is correct and the SDN on the settlement voucher must be corrected.

(2) Erroneous amounts recorded in SABRS. If the obligation amount is in error, the BEA/BESA will correct these transactions. If the payment amount is in error, annotate the OTO listing and provide any supporting information to DFAS for payment correction.

(3) Variances between the payment amount and the amount obligated. BEA/BESAs should adjust the obligation to equal the payment when the payment is correct and final. Some examples that can cause variances or erroneous amounts in SABRS:

- (a) transposing figures when amounts were entered;
- (b) double-posting payments;
- (c) wrong transaction type code in the payment (1K vice 2D);
- (d) misplaced decimal.

(Note: As discussed in your previous TAD class, the incorrect amounts entered into SABRS for TAD records are corrected by entering in the new actual amount in the adjustment screen. The new amounts entered do not add or subtract from the previous amount rather it overwrites the incorrect dollar amount with the new amount.

7. VALIDATION OF OUTSTANDING TRAVEL ADVANCES (OTA):

A. As you have learned in your previous travel class, Marines or civilians going TAD have an option of receiving a travel advance to help cover the initial cost of the TAD trip. This money will be collected when the traveler settles the travel claim (amount of advance is subtracted from the amount the member is entitled to for performing the travel). A "pay checkage" to recoup the amount of the travel advance will result if the member or civilian fails to submit a travel claim at the conclusion of TAD.

B. Validation of OTAs is very similar to the review performed for OTOs. To begin the validation, the BEA/BESA needs a copy of DFRB005B Outstanding Travel Advance by Age Category Report.

DFBR005B	Outstanding Travel Advance by Age Category Report	This daily batch report lists all travel advances on the Active File that have not been settled. Broken down to the BEA/BESA level.
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C. You will use the same sources in the above OTO validation portion for gathering information and the same remarks or validation codes on the report. The basic steps that you will follow for the validation are outlined below. Starting

with the first transaction on the R005B, determine the following for each Travel Order Number (TON) record reflected on the report.

(1) If the individual received a travel advance and the TAD orders have been canceled, send a letter/message to the individual's Commanding Officer advising the individual to reimburse the government for the amount of the advance. Annotate "Ltr" and the Julian date sent on the R005B (i.e., Ltr 6270). If the individual has already reimbursed the government, have the member provide a legible copy of the cash collection voucher for forwarding with the validation (retain a copy for memorandum fiscal files). Contact DFAS for problem payment/collection resolution.

(2) If the travel order is on the OTA report and the traveler was discharged or released from active duty, a letter must be sent to the last known address. After repeated attempts, contact DFAS. DFAS can enter a debit/credit for the amount of the uncollectable travel advance. Your command will take the charge in the amount of the travel advance. DFAS has other options such as recouping the travel advance from the member's final discharge amount (if possible) or possibly forwarding on to the IRS. In many cases, it is wise to seek DFAS's assistance as to the most efficient and economical way to remove the uncollectable travel advance from your records.

(3) When validating travel advances, compare the advances to the validated OTO report to determine if there is an unliquidated OTO. If the same transaction is on the OTO report, use the same validation code on the OTA report as on the OTO report. Note, no action will be taken to cancel an outstanding travel order until the outstanding advance is collected.

(4) If an expenditure has already processed against the outstanding travel order and the advance is still outstanding, examine the payment records to determine if an error on transaction type codes occurred (example, settlement posted the 2D or duplicate 2D transactions posted without posting a 1K credit).

8. Error Reports: Validations of ULO/OTO/OTA's would not be complete unless we cover the error reports in SABRS. In all validations, the one transaction you will be searching for is the liquidation. In many cases, the payment has been made but has either posted under an incorrect document number or is in suspense on the Error File pending correction. When you print

the R008/R005A/ R005B for validations, you should also print the DNR error and unmatched/rejected reports that were covered in the Expenditure and Collections class. In some cases, with knowledge of your command's data element construction, you will locate liquidation's in error that belong to your command. Identifying and correcting these liquidations will help you clear your Outstanding Obligation Reports. When you have identified an error document, make the necessary corrections to the SABRS report and contact DFAS for resolution.

REFERENCES:

1. DOD FMR Series
2. MCO P7300.20, Chapter 4, paragraph 4011